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CANADA CRUSHED & CUT STONE
LIMITED

HAMILTON, ONTARIO

Annual Report



AS AT DECEMBER 31st, 1963

CANADA CRUSHED & CUT STONE LIMITED

DIRECTORS

J. C. BURD	-	-	-	-	-	-	-	-	-	Niagara Falls, Ontario
J. R. DOOLITTLE	-	-	-	-	-	-	-	-	-	Hamilton, Ontario
R. G. L. HARSTONE	-	-	-	-	-	-	-	-	-	Hamilton, Ontario
G. W. HEALEY	-	-	-	-	-	-	-	-	-	Toronto, Ontario
D. H. HENDERSON	-	-	-	-	-	-	-	-	-	Hamilton, Ontario
N. M. PEECH	-	-	-	-	-	-	-	-	-	Workshop, Notts, England
N. P. Pitt	-	-	-	-	-	-	-	-	-	Montreal, Quebec
G. G. RYAN, O.B.E.	-	-	-	-	-	-	-	-	-	Montreal, Quebec
E. H. SANCTON, B.Eng.	-	-	-	-	-	-	-	-	-	Hamilton, Ontario
W. STOCKS, M.B.E.	-	-	-	-	-	-	-	-	-	Workshop, Notts, England

OFFICERS

N. M. PEECH	-	-	-	-	-	-	-	-	-	Chairman of the Board
D. H. HENDERSON	-	-	-	-	-	-	-	-	-	President
J. R. DOOLITTLE	-	-	-	-	-	-	-	-	-	Vice-President Crushed Stone Division
D. E. STEELE	-	-	-	-	-	-	-	-	-	Secretary-Treasurer
W. A. BRUNNER	-	-	-	-	-	-	-	-	-	Assistant Secretary-Treasurer

REGISTRAR and TRANSFER AGENT

National Trust Company Limited	-	-	-	-	-	-	-	-	-	Toronto, Ontario
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AUDITORS

McDonald, Currie & Co.

CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES

REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I submit with pleasure the following report for the year 1963.

Group Activities

The year under review proved to be an active one for your company and its subsidiaries, and overall, the results were satisfactory. Crushed stone sales continued in very good volume at both Dundas and Queenston due to new Highway construction adjacent to these Quarries. The sales of asphaltic concrete and processed stone sand were also good. During the year, a third asphalt plant was purchased and put into operation at Vineland, Ontario, under agreement with Vineland Quarries & Crushed Stone Limited.

An improvement in the demand for Queenston building stone materialized in 1963 which necessitated the continuance of quarrying stone until the end of November, a month later than normal. Changes and improvements to the Saw Mill were effected in order to meet the increased demand for sawn slabs.

At The Ritchie Cut Stone Company, Limited, a decision was made late in the year to suspend operations of the Architectural Concrete division. This was motivated by two considerations: primarily, the present very competitive and unprofitable condition of the concrete market, secondly, the necessity for utilizing a larger proportion of the plant for the improved volume of cut stone business secured and in prospect for 1964.

As previously reported to the shareholders, the purchase of Mills Steel Products Limited was completed in July, and this subsidiary contributed to the consolidated earnings of your company.

Further diversification through acquisitions of merit continues to be the policy of the Board of Directors.

National Slag Limited, in which we hold a one-third interest, had a satisfactory year and paid a dividend on the common stock.

CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES

Consolidated Statement of Profit & Loss

The consolidated earnings before provision for income taxes amounted to \$863,927 compared with \$797,421 for the year 1962. Net profit after taxes was \$446,230 compared with \$406,001 the previous year.

Balance Sheet & Consolidated Statement of Surplus

In comparing the balance sheet with that of 1962, it should be kept in mind that the current figures include those of the new subsidiary, Mills Steel Products Limited, and this is particularly noticeable in the accounts receivable, inventories, and accounts payable.

Capital expenditures for the year totalled \$366,884 compared with \$427,988 in 1962. Future expenditures will likely continue to be substantial in order to maintain and improve our competitive position.

Dividends

A dividend of .15 cents per share was paid quarterly in 1963 and .15 cents per share extra was paid on December 15, making a total of .75 cents per share.

On February 6, 1964, the Directors placed the stock on a .20 cents per share quarterly basis, and declared a dividend of .20 cents per share payable March 16, 1964, to shareholders on record February 14, 1964.

Appreciation

Your Directors take this opportunity to acknowledge the loyal and efficient services of the staff and employees during the year.

Prospects

Present indications of another high volume year for the construction and steel industries should assure a satisfactory year for your company.

For the Board of Directors,

D. H. HENDERSON,

President.

Hamilton, Ontario,
18th February, 1964.

**CANADA CRUSHED &
AND SUB**
(Incorporated under the laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31st 1963	1962
CURRENT ASSETS		
Cash	\$ 122,957	\$ 170,255
Bonds and trust company deposits—at cost	1,204,835	1,581,046
(quoted market value \$1,216,003)		
Accounts receivable, less provision for doubtful accounts	1,129,679	771,298
Accounts receivable — affiliated companies	16,075	18,489
Inventories of crushed stone, cut and uncut building stone, building material, etc. — at the lower of cost or market	702,953	506,006
Income taxes recoverable	309	1,080
Prepaid expenses	37,570	27,836
	<u>\$3,214,378</u>	<u>\$3,076,010</u>
DEFERRED CHARGES AND OTHER ASSETS		
Investment in National Slag Limited shares — at cost, less redeemed	\$ 12,500	\$ 12,500
License — at cost, less amounts written off	14,000	16,000
Scaffold equipment — at cost, less amounts written off	198,039	
	<u>\$ 224,539</u>	<u>\$ 28,500</u>
FIXED ASSETS		
Land — at cost	\$ 123,632	\$ 52,209
Buildings, plant and equipment (see note)	\$7,157,264	\$6,401,758
Accumulated depreciation	4,825,056	4,085,013
	<u>\$2,332,208</u>	<u>\$2,316,745</u>
Stone quarries — at cost	\$1,218,038	\$1,218,038
Provision for depletion	600,411	577,505
	<u>\$ 617,627</u>	<u>\$ 640,533</u>
	<u>\$3,073,467</u>	<u>\$3,009,487</u>
	<u>\$6,512,384</u>	<u>\$6,113,997</u>

AUDITORS' REPORT

We have examined the consolidated balance sheet of Canada Crushed Stone Limited as at December 31, 1963, and the consolidated statements of profit and loss and a general review of the accounting procedures and such tests of internal control as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss, when read in conjunction with the notes appended thereto, present a true and fair view of the financial position of the company as at December 31, 1963, and the consolidated results of their operations for the year ended December 31, 1963, and the consolidated results of their operations for the year ended December 31, 1962, in accordance with accepted accounting principles applied on a basis consistent with the accounting principles applied in the preparation of the consolidated financial statements.

HAMILTON, January 23, 1964.

CUT STONE LIMITED

DIARIES

(In accordance with the laws of Ontario)

AS AT DECEMBER 31, 1963

LIABILITIES

	December 31st	
	1963	1962
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 352,573	\$ 133,321
Income and other taxes payable	226,859	192,537
	<u>\$ 579,432</u>	<u>\$ 325,858</u>
MINORITY INTEREST IN CONSOLIDATED NET ASSETS		383
	<u>\$ 579,432</u>	<u>\$ 326,241</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized		
5,000 6% cumulative redeemable (at \$105) sinking fund shares of a par value of \$100 each	\$500,000	
200,000 Common shares without nominal or par value	<u>—</u>	
Issued		
190,000 Common shares	\$ 95,000	\$ 95,000
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED COST (see note)	2,390,418	2,390,073
REALIZED APPRAISAL SURPLUS	760,378	760,378
EARNED SURPLUS	2,687,156	2,542,305
	<u>\$5,932,952</u>	<u>\$5,787,756</u>
	<u>\$6,512,384</u>	<u>\$6,113,997</u>

APPROVED ON BEHALF OF THE BOARD,

D. H. HENDERSON, *Director*

G. G. RYAN, *Director*

THE SHAREHOLDERS

Crushed & Cut Stone Limited and subsidiaries as at December 31, 1963, plus for the year ended on that date. Our examination included testing records and other supporting evidence as we considered

and consolidated statements of profit and loss and surplus when they were prepared. The consolidated financial position of the companies as at December 31, 1963, plus for the year ended on that date, in accordance with generally accepted accounting principles of the preceding year.

McDONALD, CURRIE & CO.,
CHARTERED ACCOUNTANTS.

CANADA CRUSHED & CUT STONE LIMITED

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1963

	December 31st 1963	1962
	<u> </u>	<u> </u>
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED COST		
Balance — December 31, 1962	\$2,390,073	\$2,394,269
Adjustment re redemption of preference shares of subsidiary and retirement of minority interest in subsidiary	345	
Adjustment re additional shares of a subsidiary company purchased during the year		4,196
Balance — December 31, 1963	<u>\$2,390,418</u>	<u>\$2,390,073</u>
REALIZED APPRAISAL SURPLUS		
Balance — December 31, 1962	\$ 760,378	\$ 725,378
Gain on sale of fixed assets		35,000
Balance — December 31, 1963	<u>\$ 760,378</u>	<u>\$ 760,378</u>
EARNED SURPLUS		
Balance — December 31, 1962	\$2,542,305	\$2,400,190
Net profit for the year	446,230	406,001
	<u>\$2,988,535</u>	<u>\$2,806,191</u>
Transfer to accumulated depreciation being amortization of revaluation of fixed assets for the year December 31, 1963	\$ 158,879	\$ 158,879
Less: Proportion applicable to minority interest		13
	<u>\$ 158,879</u>	<u>\$ 158,866</u>
Adjustment to prior year's taxes on income		10,020
Dividends — Common	142,500	95,000
	<u>\$ 301,379</u>	<u>\$ 263,886</u>
Balance — December 31, 1963	<u>\$2,687,156</u>	<u>\$2,542,305</u>

CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1963

	December 31st	
	1963	1962
Profit from operations before the following charges	\$1,149,654	\$1,028,747
Depreciation provision	\$ 348,006	\$ 295,099
Depletion provision	22,906	20,739
Directors' fees	7,810	8,600
Loss applicable to minority shareholders of subsidiary companies		(19)
	\$ 378,722	\$ 324,419
Profit from operations	\$ 770,932	\$ 704,328
FINANCIAL		
Investment income	\$ 93,794	\$ 101,350
Gain on sale of investments	14,213	2,495
	\$ 108,007	\$ 103,845
Less: Loan interest	\$ 15,012	
Bond and debenture interest		\$ 5,672
Premium on bonds purchased for redemption		5,080
	\$ 15,012	\$ 10,752
	\$ 92,995	\$ 93,093
Profit before taxes on income	\$ 863,927	\$ 797,421
Taxes on income	417,697	391,420
Net profit for the year	\$ 446,230	\$ 406,001

CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1963

1. The consolidated statements at December 31, 1963, include the assets and liabilities of Mills Steels Products Limited which was acquired as at January 1, 1963, and the earnings of the company for the year. The fixed assets of Mills Steel Products Limited are stated at cost less the difference between the cost of shares and the book value of the net assets at the time of acquisition.

The loan interest paid amounting to \$15,012 was on an indebtedness of Mills Steel Products Limited which was retired during the year.

2. The buildings, plant and equipment of Canada Crushed & Cut Stone Limited and its subsidiary, Queenston Quarries Limited, are stated at sound values as at April 30, 1951, as appraised by Chas. Warnock & Co., Limited, with subsequent additions at cost. The buildings, plant and equipment of The Ritchie Cut Stone Company, Limited are stated at their replacement cost after deducting depreciation at April 30, 1951, as reported by Canadian Appraisal Company Limited with subsequent additions at cost. As a result of these appraisals fixed assets were written up by \$4,407,369. Fixed assets sold and retired to date have reduced the write-up by \$1,545,514 to \$2,861,855.

The accumulated amortization on the appraisal write-up is \$1,604,170 leaving a net book value on the write-up of \$1,257,685.

3. Depreciation has been provided at the maximum amount allowable for income tax purposes on cost of fixed assets, except for Mills Steel Products Limited, which has used rates slightly lower than maximum on a basis consistent with prior years. Depreciation does not include amortization of \$158,879 for the year ended December 31, 1963, of the excess over cost of buildings, plant and equipment resulting from the revaluation based on independent appraisal as at April 30, 1951. Such amortization (which is not deductible for income tax purposes) has not been provided for in the consolidated statement of profit and loss but has been charged to earned surplus.

CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES

HEAD OFFICE:

HARBOUR ADMINISTRATION BUILDING
Hamilton, Ontario

QUARRIES:

DUNDAS, ONTARIO
HAGERSVILLE, ONTARIO
QUEENSTON, ONTARIO

BUILDING MATERIALS WAREHOUSE and DOCKS

Hamilton, Ontario

SUBSIDIARY COMPANIES:

MILLS STEEL PRODUCTS LIMITED
Hamilton, Ontario

NATIONAL CUT STONE LIMITED
Hamilton, Ontario

QUEENSTON QUARRIES LIMITED
Niagara Falls, Ontario

THE RITCHIE CUT STONE COMPANY, LIMITED
New Toronto, Ontario